

Appendix B

Department of Defense

Directive

Number 7200.1

(Incorporates Change 1)

May 7, 1984

SUBJECT: Administrative Control of Appropriations

References:

(a) DoD Directive 7200.1, "Administrative Control of Appropriations," November 15, 1978 (hereby canceled).

(b) Title 31, United States Code, Subchapter III of Chapter 13 and Subchapter II of Chapter 15 (excerpt it enclosure 1).

(c) Office of Management and Budget (OMB) Circular A-34, "Instructions on Budget Execution," August 26, 1985 (excerpt at enclosure 2).

(d) through (h), see enclosure 3.

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to update under references (b) and (c) the statutory references applicable to administrative control of appropriations; provides policy, and assigns responsibilities.

B. APPLICABILITY AND SCOPE

This Directive applies to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Defense Agencies and the Uniformed Services University of the Health Sciences (hereafter referred to collectively as "DoD Components") and includes all civil and military functions under the direct supervision of a DoD Component.

C. DEFINITIONS

Terms used in this Directive are defined in enclosure 4.

D. POLICY

It is DoD policy that each DoD Component shall establish and maintain adequate systems of accounting for and positive control of appropriations and other funds made available. These accounting and fund control systems shall provide a capability for an official to be assured of the availability of funds before incurring an obligation. The systems also shall be on an accrual basis and provide information on financial transactions and on the use of funds as needed for management purposes.

1. The systems shall provide the necessary information for establishing responsibility if a

violation of subsection 1341(a) or 1517(a) or section 1342 of 31 U.S.C. (reference (b)) occurs and for the reporting of such a violation as prescribed here.

2. The accounting systems of the Department of Defense shall be consistent with the standards and principles prescribed by the Comptroller General of the United States. Moreover, DoD Components shall obtain approval for their accounting systems from the Comptroller General of the United States.

E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Comptroller) shall:

a. Administer the policies prescribed here for the administrative control of funds.

b. Administer, further subdivide, and use funds reapportioned, or otherwise made available to the Secretary of Defense, to the Office of the Secretary of Defense, or to the Department of Defense.

c. Review and approve all reports of violations prepared by DoD Components, and prepare submission of such reports for the Secretary of Defense to the President through the Director of OMB, and to the Congress.

2. The Secretaries of the Military Departments, the Directors, Defense Agencies, the Director, Washington Headquarters Services and the President of Uniformed Services University of the Health Sciences shall:

a. Ensure compliance with this Directive.

b. Investigate any apparent violations of subsection 1341(a) or 1517(a) or section 1342 of 31 U.S.C. (reference (b)) as implemented by this Directive.

c. Prepare reports of violations of subsection 1341(a) or 1517(a) or section 1342 of reference (b) in accordance with the procedures at enclosure 5.

d. Submit requests for apportionment or reapportionment of appropriations or other funds that are required to be apportioned.

e. Issue, in writing, administrative subdivisions of funds.

f. Review and approve justifications and control procedures for centrally managed allotments.

3. Heads of DoD Components shall comply with the provisions of this Directive.

F. PROCEDURES

Detailed procedures are prescribed in enclosure 5.

G. INFORMATION REQUIREMENTS

The reporting requirements for violation of subsection 1341(a) or 1517(a) or section 1342 of reference (b) have been assigned Report Control Symbol DD-Comp(AR)170. Procedures for preparing reports are prescribed in section R. of enclosure 5. The report format is prescribed in enclosure 6.

H. Effective Date

This Directive is effective immediately. forward one copy of implementing documents to the Assistant Secretary of Defense (Comptroller) within 120 days.

(Signed)
WILLIAM H. TAFT, IV
Deputy Secretary of Defense

Enclosures - 7

1. Excerpts of 31 U.S.C.
2. Excerpts of OMB Circular No. A-34
3. References
4. Definitions
5. Procedures
6. Report Format
7. Interim Report Format for Suspected Violations Under Investigation

ENCLOSURE 1

TITLE 31, UNITED STATES CODE "MONEY AND FINANCE"

EXCERPTS

CHAPTER 13 - APPROPRIATIONS

SUBCHAPTER III -- LIMITATIONS, EXCEPTIONS, AND PENALTIES

o 1341. *Limitations on expending and obligation amounts*

"(a) (1) An officer or employee of the United States Government or of the District of Columbia Government may not--

(A) make or authorize an expenditure or obligation exceeding amount available in an appropriation or fund for the expenditure or obligation;

(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law.

(2) This subsection does not apply to a corporation getting legal liability of the United States Government.

(b) An article to be used by an executive department in the District of Columbia that could be bought department may not be bought out of another amount available for obligation.

o 1342. *Limitation on voluntary services*

An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for

emergencies involving the safety of human life or the protection of property. This section does not apply to a corporation getting amounts to make loans (except paid in capital amounts) without legal liability of the United States Government.

o 1349. *Adverse personnel actions*

(a) An officer or employee of the United States Government or of the District of Columbia government violating section 1341(a) or 1342 of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.

o 1350. *Criminal penalty*

An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than \$5000, imprisoned for not more than 2 years, or both.

o 1351. *Reports on violations*

If an officer or employee of an executive agency or an officer or employee of the District of Columbia government violates section 1341(a) or 1342 of this title, the head of the agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken.

CHAPTER 15 - APPROPRIATION ACCOUNTING

SUBCHAPTER II -- APPORTIONMENT

o 1511. *Definition and application*

(a) In this subchapter "appropriations" means--

(1) appropriated amounts;

(2) funds; and

(3) authority to make obligations by contract before appropriations.

(b) This subchapter does not apply to --

(1) amounts (except amounts for administrative expenses) available --

(A) for price support and surplus removal of agricultural commodities; and

(B) under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c);

(2) a corporation getting amounts to make loans (except paid in capital amounts) without legal liability on the part of the United States Government: and

(3) the Senate, the House of Representatives, a committee of Congress, a member, officer, employee, or office of either House of Congress, or

the Office of the Architect of the Capitol or an officer or employee of that Office.

o 1512. Apportionment and reserves

(a) Except as provided in this subchapter, an appropriation available for obligation for a definite period shall be apportioned to prevent obligation or expenditure at a rate that would indicate a necessity for a deficiency or supplemental appropriation for the period. An appropriation for an indefinite period and authority to make obligations by contract before appropriations shall be apportioned to achieve the cost effective and economical use. An apportionment may be reapportioned under this section.

(b) (1) An appropriation subject to apportionment is apportioned by --

(A) months, calendar quarters, operating seasons, or other time periods;

(B) activities, functions, projects, or objects; or

(C) a combination of the ways referred to in clauses (A) and (B) of this paragraph.

(2) The official designated in section 1513 of this title to make apportionments shall apportion an appropriation under paragraph (1) of this subsection as the official considers appropriate. Except as specified by the official, an amount apportioned is available for obligation under the terms of the appropriation on a cumulative basis unless reapportioned.

(c) (1) In apportioning or reapportioning an appropriation, a reserve may be established only --

(A) to provide for contingencies;

(B) to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or

(C) as specifically provided by law.

(2) A reserve established under this subsection may be changed as necessary to carry out the scope and objectives of the appropriation concerned. When an official designated in section 1513 of this title to make apportionments decides that an amount reserved will not be required to carry out the objectives and scope of the appropriation concerned, the official shall recommend the rescission of the amount in the way provided in Chapter 11 of this title for appropriation requests. Reserves established under this section shall be reported to Congress as provided in the Impoundment Control Act of 1974 (2 U.S.C. 681 et seq.).

(d) An apportionment or reapportionment shall be reviewed at least 4 times a year by the official designated in section 1513 of this title to make apportionments.

o 1513. Officials controlling apportionment's

(a) The official having administrative control of an appropriation available to the legislative branch, the

judicial branch, the United States International Trade Commission, or the District of Columbia government that is required to be apportioned under section 1512 of this title shall apportion the appropriation in writing. An appropriation shall be apportioned not later than the later of the following:

(1) 30 days before the beginning of the fiscal year for which the appropriation is available; or

(2) 30 days after the date of enactment of the law by which the appropriation is made available.

(b) (1) The President shall apportion in writing an appropriation available to an executive agency (except the Commission) that is required to be apportioned under section 1512 of this title. The head of each executive agency to which the appropriation is available shall submit to the President information required for the apportionment in the form and the way and at the time specified by the President. The information shall be submitted not later than the following:

(A) 40 days before the beginning of the fiscal year for which the appropriation is available; or

(B) 15 days after the date of enactment of the law by which the appropriation is made available.

(2) The President shall notify the head of the executive agency of the action taken in apportioning the appropriation under paragraph (1) of this subsection not later than the later of the following:

(A) 20 days before the beginning of the fiscal year for which the appropriation is available; or

(B) 30 days after the date of enactment of the law by which the appropriation is made available.

(c) By the first day of each fiscal year, the head of each executive department of the United States Government shall apportion among the major organizational units of the department the maximum amount to be expended by each unit during the fiscal year out of each contingent fund appropriated for the entire year for the department. Each amount may be changed during the fiscal year only by written direction of the head of the department. The direction shall state the reasons for the change.

(d) An appropriation apportioned under this subchapter may be divided and subdivided administratively within the limits of the apportionment.

(e) This section does not affect the initiation and operation of agricultural price support programs.

o 1514. Administrative division of apportionments

(a) The official having administrative control of an appropriation available to the legislative branch, the judicial branch, the United States International Trade Commission, or the District of Columbia government, and, subject to the approval of the President, the head of each executive agency (except the Commission) shall prescribe by regulation a system of administrative control not inconsistent with

accounting procedures prescribed under law. The system shall be designed to --

(1) restrict obligations or expenditures from each appropriation to the amount of apportionments or reapportionments of the appropriation; and

(2) enable the official or the head of the executive agency to fix responsibility for an obligation or expenditure exceeding an apportionment or reapportionment.

(b) To have a simplified system for administratively dividing appropriations, the head of each executive agency (except the Commission) shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative division for each appropriation affecting the unit.

o 1515. Authorized apportionments necessitating deficiency or supplemental appropriations

(a) An appropriation required to be apportioned under section 1512 of this title may be apportioned on a basis that indicates a necessity for a deficiency or supplemental appropriation to the extent necessary to permit payment of pay increases for prevailing rate employees whose pay is fixed and adjusted under subchapter IV of chapter 53 of title 5.

(b) (1) Except as provided in subsection (a) of this section, an official may make, and the head of an executive agency may request, an apportionment under section 1512 of this title that would indicate a necessity for a deficiency or supplemental appropriation only then the official or agency head decides that the action is required because of--

(A) a law enacted after submission to Congress of the estimates for an appropriation that requires an expenditure beyond administrative control;

(B) an emergency involving the safety of human life, the protection of property, or the immediate welfare of individuals when an appropriation that would allow the United States Government to pay, or contribute to, amounts required to be paid to individuals in specific amounts to be fixed by law or under formulas prescribed by law, is insufficient.

(2) If an official making an apportionment decides that an apportionment would indicate a necessity for a deficiency or supplemental appropriation the official shall submit immediately a detailed report of the facts to Congress. The report shall be referred to in submitting a proposed deficiency or supplemental appropriation.

o 1516. Exemptions

An official designated in section 1513 of this title to make apportionments may exempt from apportionment--

(1) a trust fund or working fund if an expenditure from the fund has no significant effect on the

financial operations of the United States Government;

(2) a working capital fund or a revolving fund established for intra-governmental operations;

(3) receipts from industrial and power operations available under law; and

(4) appropriations made specifically for --

(A) interest on, or retirement of, the public debt;

(B) payment of claims, judgments, refunds, and drawbacks;

(C) items the President decides are of a confidential nature;

(D) payment under a law requiring payment of the total amount of the appropriation to a designated payee; and

(E) grants to the States under the Social Security-Act (42 U.S.C. 301 et seq.).

o 1517 Prohibited obligations and expenditures

(a) An officer or employee of the United States Government or of the District of Columbia Government may not make or authorize an expenditure or obligation exceeding--

(1) an apportionment; or

(2) the amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken.

o 1518. Adverse personnel actions

An officer or employee of the United States Government or of the District of Columbia government violating section 1517(a) of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.

o 1519 Criminal penalty

An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1517(a) of this title shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.

ENCLOSURE 2

OMB Circular No. A-34

EXCERPT FROM PART III

REQUIREMENTS FOR REPORTING ANTIDEFICIENCY ACT VIOLATIONS

32.1 Adverse personnel actions and penalties.

In accordance with sections 1349 and 1518 of Title 31 of the U.S. Code, an officer or employee violating sections 1341(a), 1342, or 1517(a) of Title 31 shall be subject to appropriate administrative discipline, including--when circumstances warrant--a written reprimand, suspension from duty without pay, or removal from office.

In addition, in accordance with sections 1350 and 1519 of Title 31 of the U.S. Code, an officer or employee convicted of willfully and knowingly violating sections 1341(a), 1342, or 1517(a) of Title 31 shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.

32.2 Requirements to report Antideficiency Act violations.

The agency head will furnish to the President, through the Director of OMB, and to the Congress, information on Antideficiency Act violations of the following character:

(1) overobligation or overexpenditure of an appropriation or fund. This is any case where an officer or employee of the United States has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund in excess of the amount available in the account. For expired accounts, the "amount available" includes amounts available for restoration to the account. (31 U.S.C. 1341(a)).

(2) contract or obligation in advance of an appropriation. This is any case where an officer or employee of the United States has involved the Government in a contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law. (31 U.S.C. 1341(a)) If authorized by law but not financed by an appropriation, the budget authority recorded to cover such transactions is known as contract authority. If the contract authority is provided in anticipation of receipts, then obligations incurred against such contract authority cannot be liquidated unless either the receipts are collected and credited to the account or an appropriation to liquidate has been enacted. (31 U.S.C. 1341(a)).

(3) acceptance of voluntary service. This is any case where an officer or employee of the United

States has accepted voluntary service for the United States or employed personal services in excess of that authorized by law, except in cases of an emergency involving the safety of human life or the protection of property. (31 U.S.C. 1342)

(4) overobligation or overexpenditure of an apportionment or reapportionment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of an apportionment or reapportionment. This includes adjustments that cause obligations in expired accounts that have not been merged to exceed the apportionment for the year in which such obligations were incurred. (31 U.S.C. 1517(a)).

(5) overobligation or overexpenditure of an allotment or suballotment. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure in excess of the amount permitted by the prescribed and approved agency fund control system. (31 U.S.C. 1517(a))

(6) overobligation or overexpenditure of a credit limitation. This is any case where an officer or employee of the United States has authorized or created an obligation or made an expenditure exceeding a credit limitation contained in an appropriation act restricting the amount that can be obligated or committed for a credit program. (31 U.S.C. 1517(a))

(7) overobligation or overexpenditure of other administrative subdivisions funds. Generally the overobligation of other administrative subdivisions of funds, e.g., operating budgets, allowances, financial plans, statutory limitations other than those found in the appropriation act, and other than those defined as a statutory limitation in this Circular, are violations of the Antideficiency Act only when it causes an overobligation or overexpenditure of an allotment, apportionment or appropriation unless the apportionment or agency's fund control regulations specify otherwise. (31 U.S.C. 1517(a)).

Violations involving subapportionments relating to allocation accounts will be reported through OMB to the President by the agency that administers the allocation account through the agency administering the parent account.

32.3 Contents of report to the President.

The agency report to the President on an Antideficiency Act violation will be in the form of a letter (original and three copies), forwarded through the Director of OMB. A sample letter is provided in exhibit 32.

The letter will set forth the following data, in the sequence outlined:

(1) The title and Treasury symbol (including the fiscal year) of the appropriation or fund account, the

amount involved for each violation, and the date on which the violation occurred.

(2) The name and position of the officer(s) or employee(s) responsible for the violation.

(3) All facts pertaining to the violation, including the type of violation (e.g., overobligation of an appropriation, overobligation of an apportionment, overobligation of an allotment or suballotment), the primary reason or cause, any statement from the responsible officer(s) or employee(s) with respect to any circumstances believed to be extenuating, and any germane report by the agency's Inspector General and/or the agency's counsel.

(4) A statement of the administrative discipline imposed and any further action(s) taken with respect to the officer(s) or employee(s) involved in the violation.

(5) In the case where an office or employee is suspected of willfully and knowingly violating the Antideficiency Act, confirm that all information has been submitted to the Department of Justice for determination of whether further action is needed.

(6) A statement regarding the adequacy of the system of administrative control prescribed by the head of the agency and approved by OMB, if such approval has been given. If the head of the agency determines a need for changes in the regulations, such proposals will be submitted as provided in section 31.4.

(7) A statement of any additional action taken by, or at the direction of the head of the agency, including any new safeguards provided to prevent recurrence of the same type of violation.

(8) If another agency is involved, a statement concerning the steps taken to coordinate the report with the other agency.

32.4 Report to the Congress.

The report to the Congress will be in the form of identical reports to the presiding officer of each House, i.e., the Speaker of the House of Representatives and the President of the Senate.

ENCLOSURE 3

References, Continued

(d) DoD 7220.9-M, "Accounting Manual," October 1983, authorized by DoD Instruction 7220.9, October 22, 1981

(e) DoD 7220.14-R, DoD Financial Management Regulation, Vol. 2, Budget Formulation and Presentation

(f) Title 10, United States Code, Section 2210

(g) Title 41, United States Code, Section 3732

(h) DoD Directive 7220.8, "Policies and Procedures Governing the Use of the Authority of Section 3732, Revised Statutes," August 16, 1956

(i) Title 10, United States Code, Chapter 47, "Uniform Code of Military Justice"

ENCLOSURE 4

DEFINITIONS

For purposes of administrative control of funds, the following definitions shall apply. Other definitions, terminology, and concepts used in this Directive may be found in OMB Circular No. A-34 (reference (c)).

1. *Administrative Subdivision of Funds* Any subdivision of an appropriation or other fund that makes funds available in a specified amount for incurring obligations for a specific purpose and that generally can be further subdivided. The obligation limitation contained in an operating budget is an administrative subdivision of funds and constitutes an allocation, suballocation or allotment, as appropriate.

2. *Allocation and Suballocation* An authorization by a designated official of a DoD Component making funds available within a prescribed amount to an operating agency for the purpose of making allotments and incurring obligations. This differs from the definition of an allocation in reference (c) which defines an allocation as a transfer of obligational authority from one agency to another to carry out the purposes of the parent appropriation or fund. In the Department of Defense the latter is defined as a "transfer appropriation account."

3. *Allotment and Suballotment* An authorization by the head of an operating agency (as defined in item 7., below) or designee, to the head of any organizational unit to incur obligations within a specified amount.

4. *Apportionment* A distribution made by OMB of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred.

5. *Appropriations*. Statutory authority to incur obligations and to make payments out of the Treasury for specified purposes. As used herein, it also includes authorizations to create obligations in advance of funding action.

6. *Centrally-Managed Allotment* Authority issued by the holder of an allocation for incurring obligations for a specific purpose and in a specific amount. It is administered by publishing a centrally-managed allotment account number that permits authorized officials to charge the account for authorized purposes without further determination or certification of fund availability for individual transactions.

7. *Operating Agency*. A major organizational unit within a Military Department or Defense Agency that is responsible for (a) the active planning, direction,

and control of a program or segment thereof; and (b) the control of the funds allocated to it.

8. *Reapportionment.* A revision approved by OMB of a previous apportionment for an appropriation or fund account. This approved revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

ENCLOSURE 5

PROCEDURES

A. GOVERNING REGULATION

This Directive is the governing regulation for the administrative control of funds for all DoD Components. Its provisions were approved by the Director of OMB under subsection 1514(a) of 31 U.S.C. (reference (b)). It shall be reproduced in its entirety, without change, in the regulatory issuances of each DoD Component. Supplemental guidance, including policy for control of nonapportioned appropriations, is contained in DoD 7220.9-M (reference (d)). Related DoD Component procedural issuances shall be fully consistent with this Directive.

B. DUTIES OF DoD OFFICIALS, INCLUDING COMMANDERS AND SUPERVISORS

1. The DoD officials to whom apportionments or administrative subdivisions of apportionments are issued shall:

a. Use funds only for the purpose prescribed and not exceed funding authority, including any limitations, within or on that authority.

b. Record properly all obligations and ensure that all recorded obligations are valid.

2. Commanders and supervisors shall:

a. Not accept voluntary service for the United States, and no employment of personal service over that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.

b. Issue the required delegations of authority.

c. Ensure that all personnel involved in administrative control and use of funds are fully responsible and comply with this Directive.

C. ACCOUNTING SYSTEMS

Accounting systems shall be designed to assist responsible officials in restricting the authorization or incurrence of obligations to the amount of obligational authority available. The accounting system must be capable of providing timely disclosure of the authorization or creation of obligations, or the making of disbursements in excess of amounts available in unexpired and expired accounts.

D. SYSTEMS FOR ADMINISTRATIVE CONTROL OF FUNDS

1. Systems for administrative control of funds shall be designed so that administrative sub-divisions of funds are placed at the highest practical organizational level consistent with effective and efficient management. For example, a single allotment for an appropriation or other fund usually provides an appropriate basis for control without further allotting the funds by program elements, object classes, or other sub-divisions. The use of limitations on the funding documents shall be limited to those necessary to comply with statutory provisions of the appropriate authorization or appropriation act, or to meet the needs of unusual or special situations.

2. A system for administrative control of funds, by itself, may not provide data for reviewing the efficiency with which funds are used. When a need exists for accumulating data below the allotment or suballotment level, a reporting requirement shall be established, but shall be distinguishable from administrative sub-divisions of funds.

E. DELEGATIONS OF AUTHORITY OR FUNCTIONS

All delegations or redelegations of authority or functions under this Directive shall be made in writing. No delegations or redelegation of authority or functions shall be exercised in any manner that will limit the capabilities of the Secretaries of the Military Departments, the Directors of Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities.

F. BUDGETARY POLICY

Budgetary policy is provided by DoD 7220.14-R, Vol. 2 (reference (e)). It provides policy guidance on appropriation requests, supplemental appropriation estimates, appropriation transfer authority, apportionment guidance, reprogramming actions, rescissions, and deferrals.

G. APPORTIONMENTS

1. When appropriations or other funds are required to be apportioned to a DoD Component under law, a request for the apportionment or reapportionment shall be prepared and submitted through the ASD(C) to the Director of OMB. The request shall be in such form and at such time as the ASD(C) may prescribe to conform with the requirements of the Director of OMB (see reference (e)).

2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative sub-divisions of the apportionment.

H. ALLOCATIONS

1. The ASD(C), or designee, shall make allocations of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, shall make further allocations of apportioned amounts, in writing, to the heads of operating agencies. The original signed document or an authenticated copy bearing an original signature shall be forwarded to the recipient of the allocation. Amounts allocated may be suballocated to major subordinate operating commands. This does not preclude the use of an automated system to communicate and record fund sub-divisions as long as a confirmation copy bearing an original signature is provided to the recipient within a reasonable time, usually 1 month.

2. Allocations shall not exceed the amount available for use for each apportionment period.

3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an original signature. However, in accomplishing electronic transmissions of fund authorizations through linked computer systems, internal controls for electronically transmitted allocations and suballocations are to have the following characteristics: Fund control systems are to provide validation of fund authorities by use of access codes and lockout techniques. One set of access codes will be used to issue fund authorizations. Other controlled access codes will be used to cause a signature section of fund control documents in transmissions to funded activities. The authentication, signature element and symbol will be included as part of electronically produced funding documents.

4. The amount of any appropriation that is apportioned or reapportioned and allocated may include estimated reimbursements, transfers, or other items of anticipated receipts. If it is determined that such items will not be realized, such as earned and collected reimbursements, appropriate adjustments of amounts allocated shall be made promptly.

5. Allocations, suballocations, or parts of them, that are not required to be subdivided further may be treated and recorded as allotments.

6. DoD Components shall not authorize or create an obligation, or make a disbursement against apportioned anticipated transfer authorizations to be received. Such actions must be delayed until the accomplished Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization," is received.

I. ALLOTMENTS

1. The recipients of allocations and suballocations, or their designees, shall make allotments in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allotted shall not

exceed the amount of the allocation available for each period.

2. The recipients of allotments may make suballotments to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts allotted shall not exceed the amount of the allotment available for use for each period.

3. Allotments and suballotments shall be made in writing and the recipient's copy either shall be signed by the fund-issuing authority or be an authenticated copy bearing an authorized original signature. The document shall contain at least the following basic information:

a. The name or title of the allottee.

b. The amount of the allotment and the period of availability.

c. Legal restrictions of the obligation and disbursement of the allotted funds.

d. The amount of anticipated reimbursements shall be specified to the organizational level responsible for receiving the reimbursable orders.

4. In some cases it may not be feasible to provide a formal allotment or suballotment document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation. In such cases, both the allotter and allottee shall document the funding transaction showing the action taken, the date, the amount involved, the authorizing official, and the method of communication. The recipient is responsible for following up if formal documentation is not received within a reasonable time, normally not more than 1 month.

5. The head of an operating agency who has the specific written approval of the DoD Component head, may establish centrally-managed allotments. These allotments shall be established only when it is impractical to administer de-centralized allotments under normal operating procedures. More specific guidance on the requirements for establishing centrally-managed allotments are provided in DoD 7220.9-M (reference (d)). Before approval, a specific written determination shall be made that adequate controls have been established to avoid overobligation or overexpending a centrally-managed allotment.

a. The amount of the centrally-managed allotment shall be within the amount and terms of the allocation.

b. Requests for the establishment of a centrally-managed allotment must justify fully the need, delineate possible alternatives, and demonstrate clearly why the centrally-managed allotment method is the only practical administrative procedure.

c. The official who establishes or continues the use of a centrally-managed allotment shall be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations

are not incurred, or expenditures made, beyond the amount available under each centrally-managed allotment.

d. The establishing or continuing official is responsible for the administration of each centrally-managed allotment and shall prescribe an adequate system of control, financial and nonfinancial, including (1) designation, by name or position, of specific individuals authorized to incur obligations or make expenditures against each centrally-managed allotment, and (2) establishing suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made. The system shall provide for accounting and reporting at least monthly and shall ensure timely notice to prevent the centrally-managed allotment from being overobligated or overexpended by taking necessary management action, which may include:

(1) Increasing the amount of the centrally-managed allotment;

(2) Terminating the centrally-managed allotment; or

(3) Taking other necessary management actions to prevent an overobligation or overexpenditure

e. Each centrally-managed allotment shall be reviewed annually to determine whether its operation should be continued. This determination shall be made by the head of the DoD Component concerned, or designee. The annual review shall include an evaluation by an internal audit group of the adequacy of the control procedures established to prevent violations of subsection 1341(a) or 1517(a), or both, of 31 U.S.C. (reference (b)) and a recommendation whether continuation of the centrally-managed allotment is justified.

J. REIMBURSABLE ORDERS

1. Reimbursable orders applicable to appropriations or other funds subject to apportionment shall be administered by, or on behalf of, the DoD Components concerned.

2. Apportioned anticipated reimbursements shall not be allotted unless there is reasonable assurance these orders will be received. Even though apportioned and allotted, these estimates shall not be considered budgetary resources available for obligation unless (a) valid orders, including written agreements, have been received; (b) goods and services have been furnished and there is entitlement to payment; or (c) in the case of orders from the public, advance payment has been made. The only exception to this rule is in the case of certain DoD stock funds in which section 2210(b) of 10 U.S.C. (reference (f)) gives the Department of Defense, with OMB approval, authority to incur obligations against anticipated reimbursements.

3. Under certain circumstances, and with the written approval of OMB, the immediate and automatic apportionment of amounts of reimbursable orders received and accepted may be authorized.

4. Reimbursable orders received from state or local governments, foreign governments, corporations, or individuals are subject to special controls. These orders, except Foreign Military Sales (FMS) orders, shall be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. FMS orders may be recognized as contract authority in the FMS Trust Fund and, in turn, released to performing DoD Components although cash has not been received. However, disbursement controls shall be established to ensure that disbursements are not made until the cash is actually deposited in the FMS Trust Fund and transferred to the appropriation account, or an expenditure authorization has been received from the holder of the FMS Trust Fund.

5. Reimbursable orders that are financed by appropriated or revolving funds of federal agencies provide expenditure as well as obligational authority.

7. Officials responsible for incurring obligations and making expenditures shall be particularly cognizant of the reimbursable authority received. Controls shall be established to avoid obligating or expending over the amount of appropriated funds, plus the reimbursements that ultimately will be earned and collected.

K. OBLIGATIONS AND EXPENDITURES

1. In certain limited circumstances, obligations may be incurred exceeding available funds under section 3732 of the Revised Statute as amended (41 U.S.C. 11, reference (g)). This statute is implemented by DoD Directive 7220.8 (reference (h)).

2. Except as provided by subsection K.1., above, no DoD official shall authorize (such as, commit) or create any obligation, or make any expenditure under any appropriation or fund exceeding the following:

a. The available amount of such appropriation or fund.

b. The available amount of an apportionment or reapportionment or administrative sub-division thereof.

c. Any statutory restriction imposed on the use of such appropriation or other fund.

d. Any limitation imposed by an authorized official that is intended to provide a limitation on the obligation of apportioned funds.

3. Once incurred, all obligations shall be recorded accurately and promptly, even if recordation results in an apparent overobligation. A violation is not avoided by the failure to record a valid obligation. For the prerequisites for the recordings and reporting of obligations, consult DoD 7220.9-M (reference (d)).

4. Adjustments in obligations often consist of recording obligations that existed in a prior period that may or may not have been known during that period. If this causes the total obligations for the prior period to exceed the amount that was available for obligation in that prior period, a violation of

subsection 1341(a) or 1517(a), or both, of 31 U.S.C. (reference (b)) has occurred.

L. CONTROL OF APPORTIONED REVOLVING FUNDS

1. Obligations or expenditures of all revolving funds shall be controlled by, or on behalf of, each DoD Component head. Apportioned revolving funds shall be controlled administratively under applicable provisions of this Directive. For those revolving funds or portions thereof subject to apportionment:

a. Records shall be maintained for the proper control of apportionments received so reports on their status can be furnished.

b. Enough notice must be provided before the apportionment is going to be exceeded to permit obtaining an increase in the apportionment, or to permit the institution of controls to prevent the overobligation or overexpenditure of the apportionment.

2. Cash balances shall be maintained in working capital funds only in amounts necessary at any time to make cash disbursements. This requirement applies whether the working capital fund is apportioned or not.

M. RECORDS

DoD Components and any other organizational unit assigned functions under this Directive shall maintain accounting records that provide full disclosure of the financial operations and resource utilization applicable at each successive organizational level. These records shall show the current and continuing available balances at each required stage of the funding operation. The records shall constitute an integral part of the official accounting records of the DoD Component to the extent required to be maintained at each successive organization level. Financial reports either shall be taken from the accounting records or be reconcilable to those records.

N. PERSONAL SERVICES

No DoD official shall accept voluntary service for the United States or employ personal service exceeding that authorized by law except in cases of emergency involving the safety of human life or the protection of property. Acceptance of such voluntary service is a violation of section 1342 of 31 U.S.C. (reference (b)).

O. OBLIGATIONS INCURRED BY AUTHORIZED PERSONNEL

No DoD official shall involve the U. S. Government in a contract or otherwise obligate the U.S. Government for the payment of money for any purpose unless given written authority. This shall not be construed as requiring that each official who is directed to perform a service or function, such as performing local travel or procuring foods or services reimbursable from an imprest fund, be specifically

authorized in writing to obligate funds. The official who directs the service or function to be performed must have the written delegation of authority, and have available funds. Certification shall be obtained from the allottee or the official responsible for administering the allotment under a delegation of authority.

P. STATUTORY LIMITATIONS

No DoD official shall authorize or create any obligation or make any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. These statutory limitations often are imposed by legislation authorizing appropriations to be made or by provisions in an appropriation act, but may be imposed by other legislation.

Q. VIOLATIONS

1. When any provision of subsection 1341(a) or 1517(a) or section 1342 of 31 U.S.C. (reference (b)), as implemented by this Directive, has been violated, the responsible head of the organizational unit shall:

a. Investigate the circumstances surrounding the violation immediately.

b. Report, in accordance with enclosure 6, the violation through official channels to the head of the DoD Component concerned, stating the circumstances and naming the official or officials responsible.

c. Review and submit the report promptly to the ASD(C). The correspondence transmitting reports to the ASD(C) shall show the date that there was the first indication of an apparent violation.

d. Submit an interim report to the ASD(C), if it is not possible to complete the investigation and submit a final report of violation within 6 months of its discovery. The interim report shall be prepared in accordance with enclosure 7. After initial submission, the interim report shall be updated quarterly to provide the ASD(C) with information on the progress of the investigation. Updating of an interim report shall be continued until the investigation discloses that a violation did not occur, or a final report of a violation is submitted.

2. When a violation is incurred that affects the funds of another DoD Component or Federal agency, the head of the Component concerned shall coordinate the report of the violation with the head of the organization making the funds available.

3. The head of the DoD Component concerned, or designee, shall, on the basis of the report or other data that may be obtained, take appropriate disciplinary action including (a) suspension from duty without pay, (b) removal from office when applicable, or (c) appropriate action under the Uniform Code of Military Justice (reference (i)). The disciplinary action may be in addition to any other disciplinary action imposed under law or regulation.

4. Immediate action shall be taken to institute appropriate procedural changes to avoid or prevent recurrence of violations.

5. The holder of an appropriation, or an administrative sub-division thereof, shall ensure that the funding authority is not exceeded. Any time an appropriation or an administrative subdivision of funds is exceeded, the holder may have failed to exercise this responsibility. The correspondence transmitting the report of violation to be ASD(C) shall identify the holder and provide an evaluation of the exercise of this responsibility. This evaluation may be omitted if the holder of the funds is considered responsible for the violation.

R. REPORTS OF VIOLATIONS

1. Reports of violations submitted to the ASD(C) shall be in the format prescribed by enclosure 6. If the same official is responsible for more than one violation under the same circumstances, one report may include all the violations. In addition:

a. Utmost care shall be exercised in stating the facts of the case and in naming the responsible official or officials.

b. The report of violation shall be signed by the head of the DoD Component concerned, or designee. A designation by the head of the DoD Component shall be written.

c. The original and 13 copies of each report shall be submitted to the ASD(C). A copy of a report involving the funds of another DoD Component shall be furnished to that Component.

2. The ASD(C) shall review reports of violations for completeness, clarity, compliance with reporting requirements, and the adequacy of corrective and administrative disciplinary action taken. As required under section 1351 and subsection 1517(b) of 31 U.S.C. (reference (b)) and OMB Circular No. A-34 (reference (c)), the reports shall be submitted by the Secretary of Defense to the President, through OMB, and to the Congress. When necessary, a recommendation for prosecution shall be made to the Attorney General.

ENCLOSURE 6

REPORT FORMAT

Reports of violations of subsections 1341(a) or 1517(a) or section 1342, of 31 U.S.C. (reference (b)) shall set forth the following data, preferably in the sequence named:

A. The title and symbol (including the fiscal year) of the appropriation or other fund account involved, and a statement whether the funds are apportioned or nonapportioned.

B. The location at which each violation occurred.

C. The amount of the violation (dollars and cents).

D. The date the violation occurred.

E. For each authorization or directive to overobligate (such as overallotment or overcommitment), for each overobligation and for each overexpenditure state whether the amount exceeded the appropriation, apportionment, allocation, allotment, suballotment, revolving fund cash balance, or other administrative sub-division of funds. In the case of an overallocation or overallotment, state whether the amount exceeded the appropriation, the apportionment, or the allocation, as the case may be. Unless the appropriation or fund is exceeded, a statement of the effect of the violation on the next higher level of funding is required.

F. The name and position of the official or officials responsible for the violation.

G. A brief description providing a clear, concise explanation of the causes and circumstances surrounding the violation. This description must show clearly what the official or officials responsible for the violation did or failed to do that caused the violation. It shall indicate whether the violation was due to careless disregard of instructions, error, inadequate training or knowledge, lack of adequate procedures and controls, or other reasons that would be the basis for the actions described in sections H. and I., below. When appropriate, the report shall indicate that the violation was knowingly and willfully incurred

H. A statement of the administrative discipline imposed and any further steps taken with respect to the official or officials responsible or a full justification as to why no disciplinary action is considered necessary. The fact that it is not a willful violation does not justify the absence of disciplinary action. The action should be appropriate to the causes and circumstances described in section G., above.

I. A statement of any additional action taken by, or at the direction of, the head of the DoD Component concerned, including any action taken with respect to the overallocation, overallotment, authority, or directive to overobligate, or overexpenditure, and any procedural changes or new safeguards provided to prevent recurrence of such violation.

J. A statement regarding the adequacy of the system of administrative control prescribed under this Directive. If the official signing the report infers that changes in the regulations are needed, he or she shall submit the proposed changes.

K. If another DoD Component or another federal agency is involved, a statement shall be made concerning the steps taken to coordinate the report with the other Component or agency.

L. The responsible official shall be given the opportunity to state any circumstances believed to be extenuating. The statement should not be based on a preliminary investigation, but should be made after

a determination of responsibility has been made. If possible, the official or officials shall be encouraged not to refer to documents that are not a part of the report submission. The report shall include an evaluation of any conflicting facts or circumstances when the statement of the responsible official or officials differs from the report itself.

ENCLOSURE 7

INTERIM REPORT FORMAT FOR SUSPECTED VIOLATIONS UNDER INVESTIGATION

Interim reports of suspected or apparent violations of subsections 1341(a), 1517(a), or section 1342 of 31 U.S.C. (reference (b)) shall set forth the following data:

A. Name, address, and telephone number of investigating officer and of the officer responsible for authorizing the investigation.

B. The type of suspected violation, subsections 1341(a), 1517(a), or section 1342.

C. The location at which the suspected violation occurred.

D. The amount of the suspected violation (dollars and cents).

E. The date of occurrence and date of discovery.

F. A brief narrative description of the nature of the suspected violation, including a clear, concise explanation of causes and circumstances, insofar as they can be determined.

Follow-on quarterly progress reports describe in detail investigative actions taken since the previous interim report to the ASD(C), and explain the nature of any issues to be resolved before a final report can be submitted.